MERCER CAPITAL

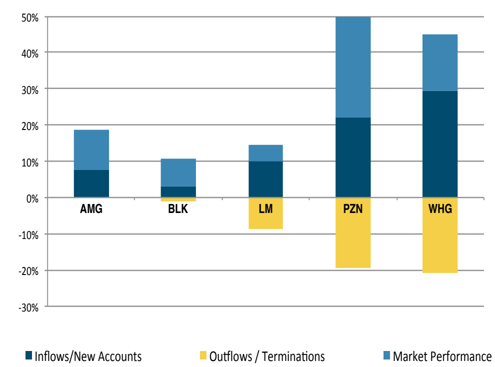
Value Focus
Asset Management Industry

Segment Focus
Traditional Asset Managers

Despite varied results, most publicly traded, traditional asset managers (TAMs) outperformed the broader indices over the last year in a favorable market environment with continued asset flows into equity products. The combination of an extended stock market rally and strong net asset flows contributed to significant gains in AUM for the TAMs, many of which are trading at all-time highs. These dynamics are in line with the historical relationship between asset class returns and AUM flows, particularly as most of the stock indices continue their ascent.

AUM Flows

For the Twelve Months Ended June 30, 2014



Most notably on the upside, Pzena and Westwood continue to attract and grow assets with solid investment performance. Legg Mason, on the other hand, lags its peers in AUM growth with weaker market returns and account additions, despite both being positive over the last year. Meanwhile, AMG levered a 20% gain in AUM with market appreciation, account growth at the sub level, and several recent acquisitions in the space.

As always, the outlook for these businesses hinges on market performance and asset flows. Any continuation of the recent momentum on both these fronts would certainly be a boon for asset managers who continue to benefit from the rise in equity prices and overall investor confidence levels. Another market downturn, on the other hand, would likely precipitate asset flows out of equities and into fixed income or money market funds with lower fees to their advisors.

Independent of market conditions, alternatives and passively managed products are expected to account for a greater preponderance of total AUM moving forward. In a recent publication by PriceWaterhouseCooper titled Asset Management 2020: A Brave New World, the Big Four audit firm predicts that alternatives and passive products will together represent 35% of global AUM (currently at just over 20%) by 2020. PWC anticipates the separation between alpha and beta investing to widen as investors increase their investment allocation to cheaper passively managed products while alternatives become more mainstream in some parts of the world. Some traditional asset managers could get squeezed by these forces if their investment performance or level of client service doesn't warrant the fees they charge.

Market Review
Second Quarter 2014

After a rough start to the quarter, most publicly traded asset managers enjoyed further gains in value as the market resumed its ascent in May and June. The continued overhang of Fed tapering and a steep market rally hastened asset flows out of bonds into equities over the last year, compounding the growth in AUM and revenue as stock funds tend to charge higher management fees relative to fixed income products. Our index of US-based asset managers corrected in early 2014 and again in April before picking back up with the market to round out a solid trailing twelve month period for most RIAs.

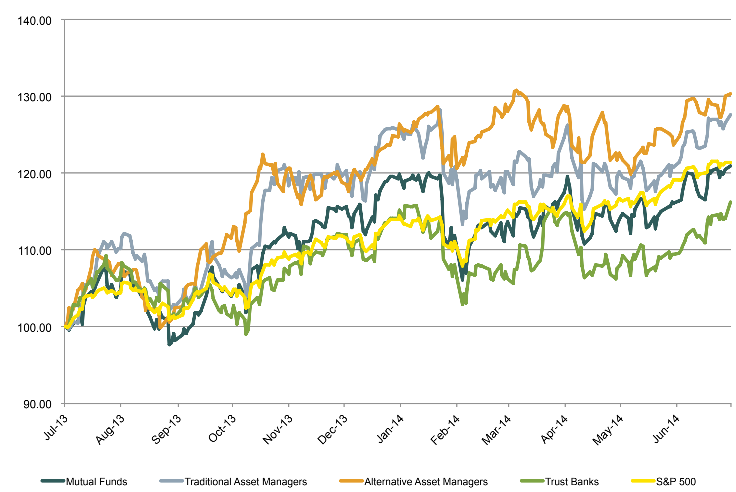
Both mutual funds and trust banks underperformed the S&P 500 over the last year, due principally to the mounting popularity of ETF products and modest dip in short term interest rates adversely effecting money market fees. Traditional and alternative asset managers, on the other hand, have benefited from the market rally with near cross-the-board increases in AUM and profit margins over the last year. Such disparate returns for different sectors of the same industry is unlikely to persist in the long run but does illustrate the market's varying perspectives on these businesses over time.

Smaller asset managers also outperformed their larger counterparts over the last year. Still, it's important to remember that our smallest sector of asset managers (AUM under $10 billion) is the least diversified and therefore most susceptible to company-specific events. Its strength is more attributable to HNNA's (roughly two-thirds of the market-weighted index) outsized gain in market value rather than any indication of investor preference towards smaller RIAs.

With AUM balances close to peak levels for most equity managers, ongoing management fees and profitability have never been higher, so valuations have risen accordingly. Barring any sort of market correction or shift in asset flows back to fixed income or money market funds, the sector's future appears bright, and buyers are starting to take notice.

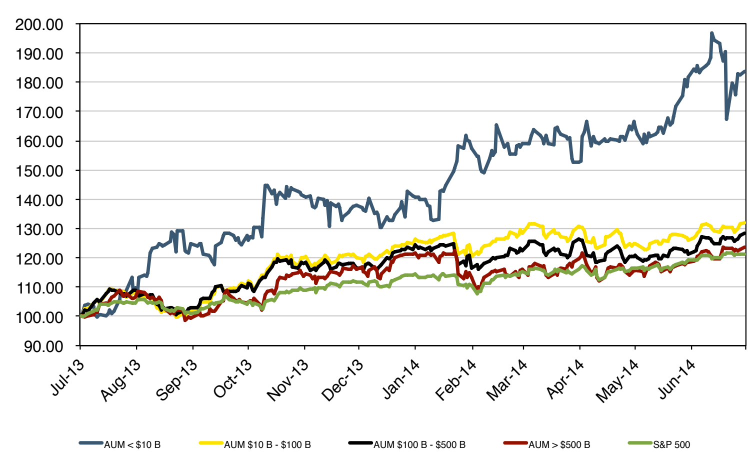
Asset Managers Index

Breakdown by Type



Asset Managers Index

Breakdown by Size



M&A Review
Second Quarter 2014

Despite a relatively anemic M&A market for most segments of asset managers since the financial crisis, there were several noteworthy money manager deals in the quarter:

- On April 14th, TIAA-CREF announced its agreement to acquire $221 billion manager Nuveen Investments from PE firm Madison Dearborn Partners for $6.25 billion (2.83% of AUM). This deal represents the largest transaction among asset managers since BlackRock's acquisition of Barclays Global Investors and iShares ETFs for $13.5 billion five years ago.

- Two days later, on April 16th, Victory Capital Holdings agreed to acquire Munder Capital Management to form a new RIA with $37 billion in assets.

- BMO Global Asset Management completed its acquisition of F&C Asset Management ($136 billion in AUM) on May 7th for $1.3 billion or just under 1% of AUM.

- Manning & Napier (ticker: MN) completed its acquisition of 2100 Xenon Group, an alternative manager that specializes in managed futures and global macro strategies, on May 23, 2014.

- Affiliated Managers Group completed its acquisition of Louisville-based River Road Asset Management ($11 billion in AUM) on June 30, 2014. AMG has been the most active acquirer of asset managers in recent months, having just completed its acquisition of SouthernSun Asset Management in March before announcing its investment in Veritas Asset Management a few weeks later. Collectively, AMG has acquired asset managers with over $100 billion in AUM in aggregate since the financial crisis of 2008 and 2009.

- Standard Life completed its acquisition of fund manager Ignis Asset Management from Phoenix Group also on the last day of the quarter for $645.3 million or 0.66% of AUM

The outlook for asset manager M&A remains positive in light of recent market dynamics. With so many AUM and profit levels near all-time highs, sellers may finally be able to recover the value drained by the financial crisis. The sector's recent growth and prospect for continued asset flows into equities may entice prospective acquirers. Ben Phillips, partner at asset manager consultancy Casey Quirk & Associates, notes, "I think you'll see a 'boomlet' in mergers-and-acquisition activity over the next 12 months. The pricing gap between bidders and askers has narrowed."

	Ticker	Price / Trailing EPS	Price / Forward EPS	Total Capital / AUM	Total Capital / EBITDA
TRADITIONAL ASSET MANAGERS					
Affiliated Managers Group, Inc.	AMG	30.46	14.93	2.21%	10.75
BlackRock, Inc.	BLK	18.25	15.34	1.42%	13.65
Legg Mason, Inc.	LM	18.25	15.43	1.01%	13.65
Pzena Investment Management, Inc.	PZN	23.21	16.38	2.85%	13.42
Westwood Holdings Group, Inc.	WHG	22.59	nm	2.67%	15.29
Group Median		**22.59**	**15.38**	**2.21%**	**13.65**
MUTUAL FUNDS					
AllianceBerstein Investments, Inc.	AB	15.15	13.29	nm	13.60
Calamos Asset Management, Inc.	CLMS	15.69	22.77	1.32%	nm
Cohen & Steers, Inc.	CNS	27.44	21.60	4.03%	16.89
GAMCO Investors, Inc.	GBL	17.93	15.30	4.91%	11.68
INVESCO Ltd.	IVZ	20.18	13.60	2.91%	14.95
Franklin Resources, Inc.	BEN	16.37	14.03	4.32%	11.68
Diamond Hill Investment Group, Inc.	DHIL	18.62	nm	3.31%	11.75
Eaton Vance Corp.	EV	21.48	14.43	2.04%	11.76
Hennessy Advisors, Inc,	HNNA	14.28	nm	2.47%	10.04
Manning & Napier, Inc.	MN	nm	12.89	0.45%	nm
T. Rowe Price Group, Inc.	TROW	20.75	16.84	3.14%	12.47
U.S. Global Investors, Inc.	GROW	nm	nm	5.57%	nm
Waddell & Reed Financial, Inc.	WDR	19.85	14.60	4.26%	12.41
Federated Investors, Inc.	FII	21.06	17.22	0.97%	12.94
Virtus Investment Partners, Inc.	VRTS	nm	nm	5.57%	10.87
Janus Capital Group Inc.	JNS	20.19	13.61	1.68%	nm
Group Median		**19.85**	**14.51**	**3.14%**	**12.08**
ALTERNATIVE ASSET MANAGERS					
Apollo Global Management, LLC	APO	10.23	10.16	10.92%	7.80
Brookfield Asset Management, Inc.	BAM.A	13.75	32.80	nm	8.88
Blackstone Group L.P.	BX	15.77	9.62	7.22%	nm
Carlye Group, L.P,	CG	22.29	10.57	1.11%	7.32
Fortress Investment Group LLC	FIG	12.26	7.48	3.80%	5.49
Kohlberg Kravis Roberts & Co.	KKR	10.88	8.75	10.36%	nm
Oaktree Capital Group, LLC	OAK	8.64	10.54	13.80%	nm
Och-Ziff Capital Mgmt Group LLC	OZM	9.46	7.52	nm	7.95
Group Median		**11.57**	**9.89**	**8.79%**	**7.80**
TRUST BANKS					
Northern Trust Corporation	NTRS	21.01	17.18	nm	nm
Bank of New York Mellon Corporation	BK	14.92	14.30	nm	nm
State Street Corporation	STT	15.24	12.48	nm	nm
Group Median		**15.24**	**14.30**	**nm**	**nm**
OVERALL MEDIAN		**18.25**	**14.30**	**3.03%**	**11.76**

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Segment Focus: Traditional Asset Managers

Second Quarter 2014 Market Overview

Second Quarter 2014 M&A Review

About Value Focus Asset Management Industry

Mercer Capital's Value Focus is a quarterly publication providing perspective on valuation issues pertinent to asset managers, trust companies, and investment consultants. Each issue highlights a market segment: 1st quarter: Mutual Fund Companies, 2nd quarter: Traditional Asset Managers, 3rd quarter: Alternative Asset Managers, and 4th quarter: Trust Banks. View past issues at www.mercercapital.com.

About Mercer Capital

As one of the largest valuation firms in the United States, Mercer Capital provides asset managers, trust companies, and investment consultants with corporate valuation, financial reporting valuation, transaction advisory, portfolio valuation, and related services.

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Mercer Capital is a business valuation and financial advisory firm serving a global client base. Business valuation services are provided for a wide variety of needs, including but not limited to corporate valuation services, tax compliance, litigation support, financial statement reporting compliance, and employee stock ownership plans. Our clients range from public to private, from smaller companies to large multi-nationals in a broad range of industries, as well as numerous governmental agencies. In addition, Mercer Capital provides investment banking and corporate advisory services including sell-side and buy-side merger & acquisition representation, fairness opinions, solvency opinions, business interest and securities valuation, among others.

Boston Private Bank & Trust Company Acquisition of Banyan Partners

On July 16th, 2014 Boston Private Financial Holdings, Inc. (NASDAQ ticker: BPFH), the holding company of Boston Private Bank & Trust Company, entered an asset-purchase agreement to acquire Banyan Partners, LLC, a Registered Investment Advisor (RIA) headquartered in Palm Beach Gardens, Florida with approximately $4.3 billion in client assets. Unlike most acquisitions of closely-held RIAs, the terms of the deal were disclosed via a conference call and investor presentation; the details of which are outlined in Figure 1.

Similar to the Tri-State/Chartwell deal earlier this year, management delineated how Banyan's attributes met Boston Private's investing criteria as shown in Table 1.

Deal Analysis (in $ Mil.)	Chartwell	Banyan	Notes / Sources
Client Assets	7,500	4,317	Approximate; Disclosed
Realized Average Fee	0.39%	0.58%	Implied Realized Fee
Revenue	25.0	25.0	Approximate; Disclosed
Operating Expense (Excl.Depr.)	19.0	18.3	Implied
EBITDA	6.0	6.7	
EBITDA Margin	*24.0%*	*26.7%*	
Initial Consideration	45	60	Disclosed
Earnout	15	20	"
Total Consideration	60	80	"
EBITDA multiple (post-earnout)	*7.1x*	*8.2x*	Total Consideration ÷ Total EBITDA
Implied % of AUM	*0.80%*	*1.85%*	Total Consideration ÷ Total Client Assets

Figure 1

Boston Private Criteria	Banyan Attributes
Strong Leadership Team. Must be capable of managing transition of legacy Boston Private Bank Wealth Management platform to new investment platform and driving future growth	Deep bench with proven experience founding and growing high performing wealth management companies
Focus on High Net Worth Market. Clentele that closely matches distinct private client profile of Boston Private Bank & Trust	High new worth clients account for 85% of relationships
Robust Investment Capability. Well-developed, multi-facted open architecture / hybrid model sophisticated capabilities	Leverages proprietary and 3rd party strategies to build customized porfolios Alternatives offered through the manager of managers platform Streamlined investment process that emphasizes consistency across porfolios
Strong Organic Growth Profile. Demonstrated ability to grow organically though diversified distribution channels	2013 and YTD 2014 organic growth of AUM in excess of 15% Strong positioning in 3rd party referral channels (Fidelity and TD Ameritrade)
Scalable Platform. Must be able to fully integrate Boston Private Bank Wealth Management into newly formed company	Robust technology platform and management reporting capabilities Proven capability in integrating mid-sized wealth management companies
Geographic Overlap. Located in current or contiguous markets	~50% of AUM and and 30% of employees are based in Boston
Accretive to EPS and ROATCE	4% accretive to diluted EPS and 230 bps accretive to ROATCE in year one

Table 1

Table 2 depicts other similarities and key attributes of the Tri-State/Chartwell and Boston Private/Banyan Partners deals as banks continue to target advisors for exposure to fee income and higher margin products.

These recent deals are particularly instructive to other industry participants since, of the nearly 11,000 RIAs nationwide, approximately 80 (<1%) transact in a given year, and the terms of these deals are rarely disclosed to the public. Part of this phenomenon is attributable to sheer economics – a new white paper from third-party money manager, CLS Investments, argues that many advisors lose out financially in an outright sale of the business.

Another recent publication titled "Advisors: Don't Sell Your Practice!" in research magazine ThinkAdvisor notes that many principals earn more in salary and bonuses than they would from the consideration they would otherwise receive in an earn-out payment over a period of time, as many of these deals are structured. In other words, returns on labor exceed potential returns on capital for many advisors, particularly for smaller asset managers that typically transact at lower multiples of earnings or cash flow. In these instances, an internal transaction with junior partners might make more sense for purposes of business continuity and maximizing proceeds. For larger RIAs, recent deals at 7-9x EBITDA suggest that buyers are willing to pay a little more for the size and stability of an advisor with several billion under management.

For more information or if we can assist you in any way, please feel free to contact us.

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Deal Comparison	Chartwell / Tri-State	Banyan Partners / Boston Private
Acquiror Type	Publicly traded bank with private banking capabilities	Publicly traded bank with private banking capabilities
Total Consideration	$60,000,000	$80,000,000
Deal Structure	Earn-out (75% down; 25% based on achieving certain EBITDA targets)	Earn-out (75% down; 25% based on achieving certain EBITDA targets)
Accretive to EPS	immediately	immediately
Target Profitability	24% EBITDA Margin	27% EBITDA Margin
Recent Growth Trends	AUM growth from $4.8B in 2011 in 2011 to $7.5B at closing	organic growth in excess of 15% for 2013 and YTD 2014
Est. Multiple of Baseline EBITDA	7.0x	9.0x
Mult. of Target EBITDA (w/earn-out)	7.1x	8.2x

Table 2